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CORPORATION FILE

American  
Broadcasting  
Companies, Inc.  
Annual Report  
1968



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Annual Report  
1968**

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	<b>1968</b>	<b>1967</b>
<b>Revenues</b>		
Broadcasting .....	\$454,704,000	\$431,325,000
Theatres .....	97,627,000	84,877,000
Records, motion pictures, publishing and others .....	81,663,000	58,750,000
Total .....	<u>\$633,994,000</u>	<u>\$574,952,000</u>
<b>Expenses</b>		
Operating expenses and cost of sales	\$510,373,000	\$465,196,000
Selling, general and administrative ...	74,755,000	68,767,000
Depreciation .....	15,002,000	12,056,000
Interest .....	6,884,000	5,996,000
	<u>\$607,014,000</u>	<u>\$552,015,000</u>
<b>Earnings—Total</b>		
Operations:		
Before income taxes .....	\$ 26,980,000	\$ 22,937,000
Provision for income taxes .....	14,301,000	11,178,000
	<u>\$ 12,679,000</u>	<u>\$ 11,759,000</u>
Capital and non-recurring gains, net ..	3,661,000	1,770,000
Net .....	<u>\$ 16,340,000</u>	<u>\$ 13,529,000</u>
<b>Earnings—Per Share</b>		
Operations .....	\$2.66*	\$2.50
Capital and non-recurring gains, net ..	.77*	.38
Net .....	<u>\$3.43*</u>	<u>\$2.88</u>
<b>Dividends</b>		
Total .....	\$ 7,581,000	\$ 7,515,000
Per share .....	\$1.60	\$1.60
<b>Financial Position at Year End</b>		
Working capital .....	\$151,581,000	\$ 83,050,000
Property and equipment, net .....	\$129,024,000	\$127,024,000
Total assets .....	\$434,563,000	\$368,759,000
Long-term debt .....	\$143,527,000	\$ 84,381,000
Stockholders' equity:		
Total .....	\$160,286,000	\$147,973,000
Per share .....	\$33.28	\$31.30
Number of common shares issued ....	4,816,645	4,727,380
<b>General</b>		
Stockholders of record .....	15,477	16,106
Theatres .....	399	401
ABC-TV Network primary affiliates ....	153	146

\*Assuming full conversion of convertible debentures and exercise of all stock options, pro forma earnings from operations, capital and non-recurring gains and net earnings for 1968 would be \$2.54, \$.69 and \$3.23 a share, respectively.



1968 was a year of substantial progress for ABC. We overcame the stifling effect of restrictions imposed by the ITT merger agreement. We completed financial arrangements and now enjoy a healthy cash position. We benefited from cost efficiency programs instituted throughout the company. We strengthened the television network organization and management. We inaugurated a totally new radio network concept which should prove beneficial in the future. We accelerated our program of upgrading and expanding our theatre holdings. We released our first major films in our newest enterprise, motion picture production. We acquired our seventh owned radio station and opened a new marine amusement and recreation center near San Francisco. And finally, our earnings showed improvement over 1967 results.

For the year past, our revenues increased to \$633,994,000, an increase of 10% over the \$574,952,000 for 1967. More important, operating earnings increased to \$12,679,000 or \$2.66 a share from \$11,759,000 or \$2.50 a share for the prior year. This increase was all the more impressive since it more than offset a 10% federal income tax surcharge which reduced earnings by 24¢ a share, abnormally heavy costs in the public service coverage of the political conventions, elections and two tragic assassinations, and start-up costs in establishing the new radio network service and motion picture production.

Immediately following the termination of the proposed merger with ITT, we took two steps to put our financial house in order. We placed our television network motion picture film inventory on a pay as you telecast basis which freed us of the obligation of making approximately \$52 million in prepayments which would otherwise have been required by January, 1969; and we successfully concluded a \$50 million convertible subordinated debenture issue for which our stockholders received subscription rights. As a result of these financial arrangements our company has the needed financial stability for the foreseeable future.

Increased advertising expenditures, starting with the second quarter, resulted in sales and earnings improvement for our broadcasting division which was also strengthened through creative innovations, increased efficiencies and expansion.

The television network has taken and is continuing to take constructive steps to place it on a more viable economic basis as well as providing its affiliated stations with a service that is fully responsive to the public interest. Reporting and control functions within the network have been revised to provide greater efficiency, more direct responsibility of profit centers and greater utilization of computer techniques. More live-tape programs are being produced involving greater use of our own studio facilities. While overall nighttime audience levels were lower than anticipated, audience levels for our daytime program schedule have shown substantial growth in recent months, with a concurrent improvement in clearance of the schedule by affiliated stations. The network's programming

in sports gained national and even international recognition, culminating in its splendid coverage of the Summer Olympics from Mexico City. Higher audience levels is the goal set for the nighttime programming planned for the forthcoming television season.

A major responsibility of network broadcasting as well as a major cost area is the news operation. While fulfilling its commitment as a major news service in its broad and incisive coverage of national and world events, ABC News has also adjusted to the realities of the corporation's financial well-being with flexibility and imagination. For example, its innovation of condensed coverage of the national political conventions was less costly and resulted in increased audiences and commendation from stations, critics and the public.

The creation of the new four radio network services was the first significant innovation in network radio in recent years. While it had no precedent, it gives every indication of achieving the goals we set. More than 1,000 stations have become affiliated with these services, advertising support is growing and the expectation that the radio network will operate on a profitable basis for the first time in many years now appears a possibility.

Our five owned television stations continued their highly successful operation. Television station sales were at record levels as was true of our owned AM and FM radio stations. We completed the full complement of seven owned AM and FM stations with the acquisition in mid-1968 of radio stations KXYZ and KXYZ-FM in Houston, one of the fastest growing markets in the country. In our other broadcasting activities, ABC Films and ABC International had a satisfactory year. In non-broadcast activities, theatre revenues increased again with theatre earnings at their best level since 1950. The number of quality pictures was high and we continued aggressively to upgrade our theatre portfolio. From 1963 through 1968, seventy-three new theatres were acquired, twelve during the past year. Forty theatres are currently in various stages of construction, most of which are expected to be in operation before the year end. Additional theatres are being planned, including a twin theatre in the recently announced Century City

entertainment center in Los Angeles, marking our re-entry in the Southern California market.

In motion picture production, several major feature films went into general theatrical distribution during the latter part of the year, and initial overall results look promising. Additional pictures are planned for release in 1969 and beyond.

Our phonograph record company has shown good growth over the past several years. Despite the adjustment from the phasing out of monaural records earlier in the year in the record industry, results for 1968 compared favorably with 1967.

Our other activities, farm publications and attraction centers, continued to do well. Marine World is expanding its facilities for the expected tourist trade this year.

The business environment and the level of advertising expenditures will determine, in large measure, the level of our broadcasting business in 1969. Assuming that business conditions will be favorable for the year as a whole, with plans we have initiated we believe that our progress will be reflected in continued growth, both in revenues and earnings.

Our dedication to performance as well as our responsibility to serve the public are shared by your management at all levels. At the same time, we have been responsive to broadening the scope of our present operations and are continuing to evaluate enterprises that would be compatible with our goals and, in the final analysis, could prove beneficial to all of our shareholders and the public.

On behalf of your Board of Directors, your management and the company's more than 15,000 employees, we deeply appreciate your continued and loyal support and we pledge that we shall do our utmost to justify your confidence.

Sincerely,



March 10, 1969

President

ABC News kept millions of Americans abreast of fast-breaking developments in 1968, one of history's busiest news years. Viewers and listeners received accurate, fast reports on the planned and unplanned events which tested the capabilities of every news-gathering organization in the world.

In politics, ABC News pioneered in bringing television viewers comprehensive, innovative 90-minute wrap-ups of the national nominating conventions. The network's audience substantially increased over 1964 levels and many critics praised ABC's format. Some suggested that ABC's "unconventional" convention coverage could spark reforms not only in future coverage but in the convention system itself.

On Election Night, ABC News provided thorough reporting and analysis of one of history's closest Presidential elections as well as Congressional and other key contests throughout the country.

ABC News' regular radio-and-television program, "Issues and Answers," hosted a number of distinguished guests during the campaign of 1968, with a major, prime-time edition on the eve of the California primary featuring Democratic Presidential candidates Senator Eugene J. McCarthy and the late Senator Robert F. Kennedy in a face-to-face confrontation.

The normally hectic course of the political campaign was made even more complex by the tragic assassination of Senator Robert F. Kennedy, an event and its aftermath which were fully covered by ABC News on both radio and television. In addition, the earlier assassination of Dr. Martin Luther King, Jr. brought ABC's cameras and microphones to Memphis, Tennessee, the scene of the slaying, and to Atlanta, Georgia, where the civil rights leader was buried.

Beginning in May, ABC News introduced "ABC Evening News with Frank Reynolds." This weekday night half-hour of news, telecast in color, featured a new anchorman, ABC News' former White House correspondent Frank Reynolds—and "guest commentaries" by such seasoned observers as William F. Buckley, Jr.,

James J. Kilpatrick, Bill Moyers and Marya Mannes, who added their highly individual opinions about news developments to the film reports filed by correspondents from around the world and the nation. In addition, incisive analysis by such commentators as Howard K. Smith, William H. Lawrence, John Scali and Joseph C. Harsch, as well as commentaries by anchorman Reynolds, were features of this novel news program.

On Saturday and Sunday nights, ABC News continued its 15-minute color newscast, "ABC Weekend News," a concise and thorough news service for weekend viewers.

The news staff was expanded for the radio network's four program services, making ABC the nation's largest radio news organization.

The American space triumphs in 1968 received extensive coverage. Viewers were given an astronaut's view of the earth from space during frequent live television transmissions from both the Apollo 7 spacecraft and the Apollo 8 lunar craft. These transmissions were carried live on ABC-TV and repeated during regularly scheduled newscasts. On radio, the voices of the astronauts became familiar to millions of listeners as their conversations with their earthbound co-workers were broadcast during dozens of newscasts.

In the documentary field, ABC News telecast six searching programs on race relations in the United States during the summer of 1968 under the title "Time for Americans."

"How Life Begins," an hour-long prime-time color documentary, elicited an unprecedented response from viewers, including many school teachers who wrote to praise the program for tastefully telling the story of reproduction in simple, visual terms.

Among other ABC News television documentaries for the year were: "Hemingway's Spain", a look at the country through the works of the late novelist; "The Scientist," a human view of the men who are reaching new frontiers in the laboratories of the nation; and "View from the White House," an intimate portrait of the former First Lady, Mrs. Lyndon B. Johnson.

ABC News continued its religious series, "Directions," and its award-winning children's series, "Discovery."





The Presidential election was a major news event of 1968. ABC News covered it from the primaries through the conventions and campaigns to Election Night. Reporting and analyzing developments were Frank Reynolds, anchorman of the "ABC Evening News," National Affairs Editor William H. Lawrence and Commentator Howard K. Smith.

The network achieved record revenues in 1968. There was a healthy uptrend in broadcasting advertising revenues starting in the second quarter, after a slow sales start in the first quarter which was a carry over of the general uncertainty in advertising that characterized the latter part of 1967.

Constructive steps were initiated by the network to improve its operations in terms of programming, management and cost efficiencies. These measures are continuing in the current year. They include program planning both in the nighttime and daytime periods for mid-season and summer replacements and for the forthcoming schedule in the fall, greater utilization of live-tape production and internal restructuring for increased effectiveness of managerial functions and planning procedures.

During 1968, the ABC Television Network continued to provide the viewing public with a well-balanced and innovative schedule of entertainment, sports, news and public affairs programming.

Once again, "The FBI" and "Bewitched" were among the leaders in television ratings. The popularity of Lawrence Welk again was evident as he returned for his 14th season on the network.

New programs that were praised for their unconventional approach included: "The Mod Squad," a dramatic series starring three young people in the roles of police aides; "Land of the Giants," relating the adventures of the crew and passengers of a rocket transport drawn to a strange planet; "Here Come the Brides," a saga of romance in the early lumberjack days of the Pacific Northwest; and "That's Life," starring Robert Morse and E.J. Peaker, a weekly one-hour series of comedy and music which follows a young couple from courtship through married life.

Entertainment specials which drew favorable press notice and sizable audiences included: "Sophia," a study of film star Sophia Loren; "Carol Channing and 101 Men" and the 41st Oscar Awards Presentation from Los Angeles. It was the eighth consecutive ABC telecast of the Motion Picture Academy's Awards Presentations event.

The Sunday and Wednesday Night Movies continued to attract large audiences with such outstanding productions as "Zorba the Greek," "Cat Ballou," "Dr. Strangelove," "Is Paris Burning?," "55 Days at Peking," and "Come Blow Your Horn." The policy of obtaining and presenting motion pictures of this calibre will be continued in the 1969-70 season.

As a result of the changed emotional climate in the nation regarding the portrayal of incidents of violence on television, the network directed a complete re-examination of all television programming. The network has always had a firm policy of "prohibiting the use of violence for the sake of violence" on its television entertainment schedule. Specific orders to those responsible for programming reiterated this policy and

called for a further "de-emphasis of violence." In all entertainment programming, this directive has been implemented and is under constant study.

The network signed several exciting new personalities to headline entertainment specials with the potential of being developed into regular series. An example was British singing star Tom Jones whose one-time special developed into a weekly contemporary music series which went on the network schedule in February.

The Tom Jones show and other program changes made at mid-season of 1968-69 reflected the network's policy of replacing programs that did not measure up to expectations as well of continued innovation in program concepts. The new programs included "What's It All About, World?", a satirical revue of current events, "Generation Gap," a new game show matching youth against their elders, and "Let's Make A Deal," a nighttime version of the successful daytime program.

The network plans to re-introduce host-humorist Dick Cavett in a prime-time format this May. This new concept for the literate and witty Mr. Cavett initially will consist of three one-hour programs each week.

Emphasis on program and talent development was accelerated during the year in order to provide a varied program selection in structuring the 1969-70 schedule starting this fall. New program forms have been developed. An example is "Harold Robbins' The Survivors," a continuing weekly one-hour drama in which each story will be presented in prime-time over the course of as many weeks as it takes to tell.

"Movie of the Week," a full season's complement of 90-minute features all produced expressly for the network, will debut in September of 1969. It will draw on leading actors, writers, production personnel and facilities in Hollywood, New York and London. "Movie of the Week" will provide fresh television entertainment of top quality and may also provide a source for future program series.

The Joey Bishop Show continued to attract an impressive number of late night viewers.

The network increased its number of primary affiliates by seven stations during the year to 153, but still remains at a competitive disadvantage to the other two networks in this respect.

ABC Sports achieved a milestone in television sports reporting with its coverage of the Winter Olympics in



"The Mod Squad," one of this season's most innovative and talked-about new programs.

Above top: Oscar winner Lee Marvin in "Cat Ballou," one of the exceptional films on the ABC Wednesday Night Movie.



The network's extensive coverage of the Winter Olympics from Grenoble, and the Summer Olympics from Mexico City, a milestone in television history.

Grenoble and the Summer Olympics in Mexico City. Typical of the press reaction was TV critic Jack Gould's comments in the New York Times: "For a virtuoso display of television's resourcefulness and artistry in covering a sports event, the American Broadcasting Company's 44 hours of reports on the (summer) games of the 19th Olympiad surely will stand in a class by itself for a long time to come." Both the Winter and Summer Olympics attracted exceptionally large audiences. ABC Sports coverage of NCAA College Football brought the largest audiences ever for college football on television. New flexibility in the ABC contract with NCAA permitted late scheduling of outstanding games of sudden national interest. "Wide World of Sports," the popular year-round program of general sports activity, attracted record audiences in its eighth season, making it television's most successful regular sports show. "The American Sportsman," "Professional Bowlers Tour," NBA basketball and ABC's golf coverage continued their popularity. In early 1969, ABC Sports introduced "Instant Sports Specials," a new concept in network sports programming which affords flexibility in covering sports news. ABC now presents five-minute, in-depth sports programs during the ABC Evening News whenever the sports news of the day warrants.

ABC's afternoon programming schedule was substantially strengthened at the year end with the addition of "Let's Make a Deal." This fast-paced and highly successful audience participation show had been a formidable competitor on another network. ABC-TV entered 1969 with the most competitive and well-structured afternoon schedule in its history.

In 1968, ABC-TV won a total of 75 awards, 58 for programs and 17 to ABC personalities.



The popular daytime series, "Let's Make A Deal" with host Monty Hall.

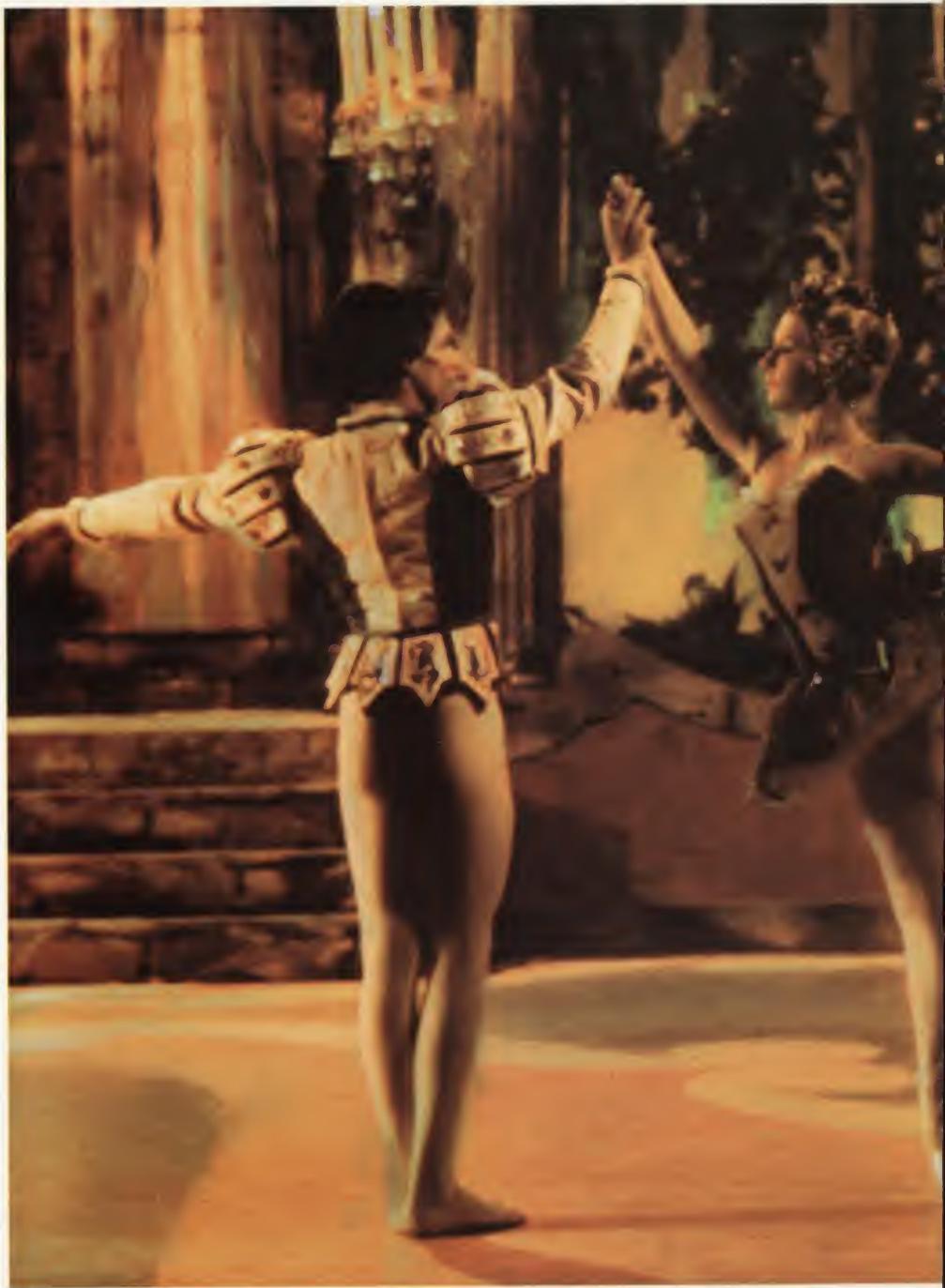
## Television

### ABC Owned Television Stations

In 1968, the five owned television stations achieved record sales and developed a number of significant and noteworthy program contributions to the communities which they serve.

Each of these stations continued its effort in the development of vital and efficient news departments. Indicative of this at KGO-TV, San Francisco, were the three top Associated Press awards it won for "News Analysis," "Investigation Reporting," and "Documentary Study," and two San Francisco State College awards for its "Roger Grimsby and the News" program and for its "Special Events" reporting. KABC-TV in Los Angeles received a local Emmy, an Associated Press citation and an award from the California Federation of Women's Clubs for its regularly scheduled news programs. A dramatic growth in Chicago audience for WLS-TV's nightly newscasts occurred in 1968. "The Fahey Flynn-Joel Daly Eyewitness News Report" was honored with an Emmy Award from the Academy of Television Arts and Sciences. The winning of a number of major news awards from the Detroit Press Club, the National Headliners Club and the Michigan Associated Press, also attest to the strength and professionalism of the WXYZ-TV news programming. In all, twenty-one news awards were earned by these stations during the past year.

Symbolic of our stations' interest in the achievement of individuals in their communities were a number of television portraits presented during the year. In New York, WABC-TV telecast an inspiring documentary on Grambling College and its coach Eddie Robinson, who has trained countless young athletes and stimulated their ambitions to personal achievement. This local program was accepted by ABC-TV for national telecast in July. WABC-TV also received the "Golden Eagle" of the Council on International Non-Theatrical Events (CINE) and, by virtue of that honor, this program is being shown at film festivals and competitions throughout the world. WXYZ-TV produced and telecast "Milestone in D Minor," a documentary on James Frazier, a rising young maestro, who became the first Negro to lead a major American symphony orchestra in a performance of Beethoven's monumental Symphony No. 9. A talented young athlete, Diane Holum, was the subject of a program on WLS-TV, "Race to Glory," which traced the career of the courageous young speed skater who had been selected



An informal visit by Mrs. Richard Nixon and daughter, Tricia, to the "A.M." show at KGO-TV, San Francisco.



"The Anniversary Game," produced by the owned TV station group, is seen in its five markets and distributed by ABC Films.



Above top: "Beauty and the Beast", performed by the San Francisco Ballet Company, telecast on the five owned TV stations.

as a member of the U.S. Olympic team. WLS-TV also presented "The Master Builder: Mies Van der Rohe," a compelling study of the architect and his achievements which won high critical acclaim.

The programming which characterized the stations' concern with the developing sociological changes addressed itself to the non-white population. A weekly program was produced by each station which was planned, prepared and performed by members of the minority groups. The programs were conceived as platforms from which non-white citizens could communicate with the black and the white community in constructive discussions and through music and drama. Designed to increase understanding and improve the role of minority groups in these communities, the programs were titled "Black Dignity" (San Francisco), "Like It Is" (New York), "For Blacks Only" (Chicago), "The Rosey Grier Show" (Los Angeles) and "Haney's People" (Detroit). In the aftermath of the death of Dr. Martin Luther King, Jr., both WLS-TV in Chicago and WXYZ-TV in Detroit telecast programs to allay the possibility of an outbreak of civil disturbances. Leading Negro performers and athletes appeared on the programs to persuade the black populace to refrain from displays of violence.

Among the stations' activities during the year, the call letters were changed from WBKB-TV to WLS-TV in Chicago to conform the television and radio stations' call letters there as they are in the other four markets. A KGO-TV production of the San Francisco Ballet Company's performance of "Beauty and the Beast" was telecast on all five stations as a holiday special. During a nine-month newspaper strike in Detroit, WXYZ-TV helped establish new advertising patterns in the use of television by retail department stores, a commercial development which now is spreading to all parts of the country.

The television stations continued to telecast their editorial positions on matters vital to their communities. They also telecast qualified viewpoints which rebutted their positions on issues. Over 750 different editorials were aired, more than in any other year. During the political campaigns of 1968, all presidential candidates and more than 120 national, state and local candidates were afforded air time on these stations.

ABC Television Spot Sales, which represents the five owned television

stations in the sale of advertising on a national basis, reported record sales for the seventh successive year.

#### ABC International

ABC holds minority interests in sixteen foreign companies operating television stations in thirteen countries as well as minority interests in three television production companies in Europe and Latin America. These companies have shown progress over the past several years, with overall improvements in their results for 1968 over 1967. ABC International is program purchasing agent and/or sales representative for almost all of the above companies as well as for other companies operating television stations which are located in an additional twelve countries.

Earth stations capable of transmitting and receiving satellite signals began servicing areas in Panama, Chile, Mexico and Australia where ABC International's associated stations are located. During the year, ABC International was active in bringing coverage of the Olympic Games from Mexico to Puerto Rico via satellite and video tape. An associate station, TV-9 in Bogota, Colombia, helped make news of the Pope's visit available to the world.

#### ABC Films

ABC Films, the television program distribution subsidiary, enjoyed another good year in its sales of television programs to both domestic and foreign television stations and advertisers. In the United States, "Girl Talk," now distributed via color video tape, entered its seventh year of production. It continues to be one of the most widely viewed women's program. "The Invaders," following its network exposure, has been sold to local stations throughout the country and "N.Y.P.D." and "Mod Squad" were marketed overseas. "New Year's Eve with Guy Lombardo," which has become a perennial favorite to millions of viewers, was again produced by WABC-TV, New York, and syndicated in color to over eighty stations from coast to coast.

In an expansion of its activities as a distributor of programs produced by the ABC Owned Television Stations, ABC Films undertook the domestic syndication of the successful game show, "Anniversary Game," developed at WXYZ-TV, Detroit, with production continuing at KGO-TV, San Francisco.

### ABC Radio Network

A new concept for network radio with four separate and distinct services was launched on January 1, 1968: The American Information Radio Network, The American Contemporary Radio Network, The American Entertainment Radio Network and The American FM Radio Network. They provided a new type of network service designed to be compatible with the programming and audiences of local stations utilizing each service.

While there were the expected start-up costs in establishing a new venture of this type, the acceptance that the services have received has been very gratifying. At the year end, more than 1,000 radio stations were affiliated with the four services, a number exceeding the goal set at the beginning of the year.

Each service has been able to offer advertisers an effective and efficient method of reaching specific target audiences, because of the similarity of its affiliates and potential audiences.

Recognition of these values by advertising agencies and advertisers steadily increased throughout the year with an attendant increase in sales. This new concept has also attracted advertisers into network radio who previously had never used this medium.

A primary area of network programming is news. ABC Radio News expanded its facilities in New York and Los Angeles and increased its personnel in order to provide the most efficient radio network news coverage, tailored to the requirements of each of the four radio network services.

### ABC Owned Radio Stations

The ABC Owned Radio Stations maintained or improved their strong competitive positions in the major markets of the country in which they operate. Sales for the year were at a record level. This increase reflected the growth of the stations, increased radio budgets among advertisers and vigorous selling on the local and national levels. In association with the marketing research firm, Brand Rating Index, the owned stations were

the first to meet the demands of target marketing for specific groups in a new communications age of computerized research, selling and buying.

The acquisition in July of KXYZ and KXYZ-FM in Houston brought the total number of owned radio stations to the legal limit of seven AM and seven FM stations. In entering the southwest, ABC is contributing to the growth of broadcasting in one of America's primary growth areas. By 1969, the population of metropolitan Houston was 1,778,000, making it the 13th largest market in the country. The move into Houston was particularly appropriate and desirable because the seven owned stations now are located across the nation in the dense and growing population centers of New York, Pittsburgh, Detroit, Chicago, San Francisco, Los Angeles and Houston. Following their acquisition, KXYZ and KXYZ-FM news operations were expanded. In the process, an ABC News Bureau was established in Austin, the State Capitol of Texas. Subsequently, the Houston stations were honored with the



The major news center in New York for the network's four radio services.

first annual Texas State Teachers Association Bell Award for outstanding commentaries interpreting school achievements, issues and needs. New transmitter and production facilities are being planned.

Major construction was completed at KGO, San Francisco, where a company-owned building was renovated into an ultra-modern structure with street-level showcase studios. Construction was also concluded at KQV, Pittsburgh, with the renovation of studios and offices. In Los Angeles, KABC took occupancy of a new studio and production center which is one of the most complete and modern radio complexes in the West.

In programming, the owned stations were model examples for the ABC Radio Network services. WABC, WLS and KQV were associated with the Contemporary Network; KABC and KGO, the Information Network; WXYZ and KXYZ, the Entertainment Network; and the ABC-FM stations, the FM Network. Because of the flexibility made possible by the new network services, the local managements were better able to meet specific local interests and needs. The stations' theme, "People to People," continued to define each station's function as spokesman as well as clearing house for a diversity of public opinion on important local topics and issues.

Acting as ombudsman for the Los Angeles area, KABC served as a middle party between citizen and government in helping resolve listener problems. Thousands of the physically handicapped in California had no legally acceptable means of identification. A KABC editorial resulted in passage of a new state law authorizing issuance of official "I.D." cards.

For the widely dispersed population of the San Francisco Bay area, KGO added a fixed wing aircraft to supplement its helicopter traffic report system. KGO also began its first year of broadcasting all University of California football and basketball games. The action-oriented youth programs of WLS, KQV and WABC resulted in events such as "Project Joey" conducted by WLS and the Chicago Chamber of Commerce to raise funds for underprivileged children, the KQV sponsored annual Career Exposition at the Pittsburgh Civic Arena which displayed exhibits on educational, job and career opportunities, and the "Big Break," one

aspect of WABC's involvement with youth, conducted in association with New York's Police Athletic League to discover new talent.

Working jointly, five ABC owned stations collaborated to raise more than 20,000 transistor radios, which were distributed to servicemen in Viet Nam.

Like WABC's long association with the New York "JET" AFL football team, WXYZ began a new relationship with the NFL as the key station for all Detroit "Lions" football games. WXYZ also gained increased popularity among adult listeners after its major format change in 1967. In news, WABC won the New York City Newspaper Reporters Association Award for the best reporting of city government. The Michigan Associated Press gave WXYZ four first-place awards for broadcast journalism including that of general excellence of news presentation.

For the second straight year, the Southern California Radio and TV News Directors awarded KABC a Golden Mike for the best regularly-scheduled news

program. In every case, consistent editorializing earned awards for each station, e.g., KQV, which was honored in New Orleans at the American Legion Auxiliary's national convention for its series on Pittsburgh's educational crisis.

Development was begun to prepare for each FM station to operate on its own with separate programming in 1969, as required by the FCC. To that end, a special FM Projects Group was organized to service owned FM stations with a new format of serious contemporary music for today's well-educated and highly motivated young people.



Annual Career Exposition created and sponsored by KQV in Pittsburgh.

Above top: Mayor Lindsay of New York with representatives of WABC and Police Athletic League announcing the station's "Summer Stars Talent Hunt."

**ABC Theatres**

Theatre revenues continued the uptrend in evidence since 1962 and theatre earnings were the highest since 1950, reflecting the greater number of quality pictures released as well as the upgrading of our theatre portfolio.

Seventy-three new theatres, principally in suburban shopping centers, have been acquired from 1963 through 1968, twelve in the past year. The program of upgrading our theatres has been aggressively pursued. Six theatres, including five drive-ins, have been acquired to date in 1969. Forty theatres are in various stages of

construction and most of these are expected to be in operation before the year end. Additional theatres are being planned as well as the disposition of any properties which may become marginal. In the latter category, fourteen theatres were divested in 1968 and two theatres to date in 1969.

At the year end, our company, through subsidiaries, had interests in 399 theatres located in thirty-one states. In order to attain a more widespread representation nationally, many of the additional theatres being processed or considered will be located in growth areas in which our company presently has no theatre operations. A prime example

was the recently announced plansto construct an entertainment center at Century City in Los Angeles. Marking the company's re-entry into the Southern California area, this center will include atwin theatre. The dualtheatre concept is one which our company has developed successfully in other localities.

In addition to having a healthy flow of motion picture product and providing for well situated theatres, a statistical factor auguring well for the future of the theatre business is the continually growing number of the population in the under-thirty age group which comprises the major portion of theatre audiences.



Regency Theatre In Jacksonville, Florida, one of twelve new theatres which opened in 1968.

Above top: ABC Entertainment Center in Century City in Los Angeles will include two motion picture theatres.

## Motion Picture Production

The first major motion pictures produced or co-produced by our company became available for release during the latter part of 1968: "For Love of Ivy," starring Sidney Poitier; "Shalako," with Sean Connery and Brigitte Bardot; and "Candy," with an all-star cast. Two features, "The Killing of Sister George" and "Charly" played limited selected engagements and were scheduled for general release in early 1969. "Charly" and its star, Cliff Robertson, have already been cited by several publications and industry award groups for excellence in production and acting, respectively. While there were start-up costs attendant to our entry into this area of entertainment, these pictures overall have been doing quite well to date.

Currently in limited release is "Hell in the Pacific," a powerful drama about an American pilot, played by Lee Marvin, and a Japanese soldier, played by Toshiro Mifune, who are trapped together on a deserted Pacific Island.

Pictures scheduled for release during the current year, on which production has been completed, include:

"Take the Money and Run," starring Woody Allen, a comedy about a 'criminal' whose greatest ambition was to make the FBI's '10 Most Wanted' list but never could. "Midas Run," starring Anne Heywood, Fred Astaire and Richard Crenna, a suspense 'caper' set against a background of Italy and London.

"Ring of Bright Water," based on the best-selling novel by David Maxwell which reunites the stars of "Born Free," Bill Travers and Virginia McKenna, in an enchanting story about a man and an otter, set against the beauty of the Scottish highlands.

"Whatever Happened to Aunt Alice," a suspense drama produced by Robert Aldrich and starring Geraldine Page and Rosemary Forsythe.

Also planned for release in 1969 is "Krakatoa, East of Java," starring Maximilian Schell, Diane Baker and Brian Keith, produced in the Cinerama process, in which our company has a 50% interest with Cinerama.

Pictures that are currently in production include:

"They Shoot Horses Don't They?" starring Jane Fonda, Michael Sarrazin, Susannah York, Red Buttons and Gig Young. Based

on the novel by Horace McCoy, the story deals with marathon dancing in the 1930's. "Song of Norway," starring Florence Henderson, Edward G. Robinson, Robert Morley and Margaret Rutherford. Dealing with the life and music of Edvard Grieg, the picture is being filmed in the Cinerama process in Norway and Denmark where the composer lived and will be released as a major roadshow attraction. "Too Late the Hero," starring Michael Caine, Cliff Robertson and Henry Fonda, written, produced and directed by Robert Aldrich, a drama about World War II being filmed on location in the Philippines. "Jenny," a bittersweet yet at times comic story of the life of a single girl in New York, featuring Marlo Thomas with co-star Alan Alda. "Old Soldiers Never...," a comedy about three professional soldiers caught up in the modern day computer army, starring Brian Keith.

Pictures in pre-production or development include:

"How Do I Love Thee," a comedy which will star Jackie Gleason and Maureen O'Hara.

"The Last Valley," based on a novel by J. P. Pick, will be written, produced and directed by James Clavell whose last feature was "To Sir with Love." Mr. Clavell is also the author of "King Rat" and "Tai Pan." Dealing with the turbulent period of the Hundred Years War, the picture will be released as a major roadshow attraction.

"A Caribbean Idyll," to star Sidney Poitier. "Mastermind," a comedy with Zero Mostel. "Miss One Thousand Spring Blossoms," based on the well-known novel by John Ball, the author of "In The Heat of the Night," scheduled for production in Japan.

"Mame," one of the outstanding musicals of this decade, to be produced as a motion picture. Co-financed with Warner Brothers-Seven Arts, production is expected to start in the latter part of 1969 or early 1970 for this major roadshow attraction.



"Charly" starring Claire Bloom and Cliff Robertson who received an Academy Award nomination as best actor-1968.

## ABC Records

ABC Records enjoyed another good year despite the adjustment from phasing out of monaural production earlier in the year in the record industry.

During the year, three single records and eight albums (which reached a million dollar sales) were certified as gold records by the Record Industry Association of America. In addition, ABC Records received nine nominations in nine categories in the annual National Academy of Recording Arts and Sciences Awards.

Under the ABC label, two exciting new groups, Graffiti and The O'Kaysions, along with ex-Supreme songstress, Florence Ballard, were among the new artists signed in 1968. Records of motion picture sound tracks included "Star!," featuring Julie Andrews, a major release on the 20th Century-Fox label distributed by ABC Records, and "Candy," which featured Steppenwolf performing "Magic Carpet Ride."

Westminster Records, the classical division, released the first solo album by Beverly Sills, considered one of the outstanding operatic sopranos. Another first for the label was the release of a solo aria album by Metropolitan Opera tenor Barry Morell. Westminster also compiled a Basic Classical Library Series of symphony, classical guitar, concerto and ballet music.

Command Records, maintaining its leading position in stereo sound, featured such artists as Doc Severinsen, the Ray Charles Singers, Dick Hyman and William Steinberg and the Pittsburgh

Symphony Orchestra. Probe, a new label created principally for today's youth market, had as its first release, "The Soft Machine," which appeared on all major trade charts within a month of its release. New concepts in packaging and sound recordings were initiated and new artists were signed, including Guy and David and The Mystic Number National Bank.

Dunhill Records in the "pop music" field developed such big name recording talent as Steppenwolf, The Grassroots, Richard Harris and Mama Cass. One of the highlights was the successful collaboration between actor-singer Richard Harris and songwriter Jimmy Webb on their two albums, "A Tramp Shining" and "The Yard Went on Forever."

In the jazz music field, under the Impulse and Bluesway labels, its recordings featured one of the outstanding blues singers, B. B. King.

ABC Records is also engaged in music publishing, record distribution and direct servicing to retail outlets.



Beverly Sills, internationally famous soprano, recording on Westminster Records.

Above center: B. B. King, highly acclaimed blues singer on Bluesway Records.

Above top: Ray Charles, long time leading recording artist on ABC Records.

Above center: Richard Harris, stage and screen actor and popular recording artist on Dunhill Records.

## Other Activities

Publishing activities consist of three agricultural publications covering the Midwest, each over one hundred years old and each holding a place among the top five such publications in the country in volume of advertising and editorial matter. The papers are Wallaces Farmer published in Des Moines, Prairie Farmer published in Chicago, and Wisconsin Agriculturist published in Racine. Together the three have a circulation of more than 700,000. They use four-color printing extensively and are now in process of installing photo-electronic typesetting and computerized mailing lists. In 1968, revenues were again at a record level.

The company's two scenic attraction centers in Florida are Weeki Wachee Spring near St. Petersburg and Silver Springs near Ocala. Famous for their natural springs, underwater shows and glass-bottom boat rides, they again continued to attract an increasing number of tourists in 1968.

ABC Marine World, a new concept in oceanic parks located on Marine World Parkway in Redwood City, near San Francisco, opened in July, 1968. The present development is a 60-acre complex composed of four islands linked by bridges and separated by man-made waterways. Among its outstanding attractions are: a water ski and boat show; the million-gallon stage of Oceana Theatre, where dolphins, sea lions and a killer whale perform; the glass-walled Hydrolator, which takes visitors into the underwater world of the Nautilus Reef oceanarium; the Ichthyarium, where youngsters can examine and actually touch small sea creatures; guided boat trips; a seal feeding area; a bird sanctuary; restaurants and shops. In addition to entertainment, the park is designed to inform and educate visitors on the increasing role of the oceans' rich resources in our lives.



A performance by the "mermaids" of Weeki Wachee.

Above top: Dolphin show at the Oceana Theatre in Marine World.

Above center: View of Silver Springs with its glass-bottom boats.

**Revenues** increased 10% to a record level of \$633,994,000. Revenues increased in the broadcasting division by 5% to \$454,704,000, theatre division by 15% to \$97,627,000 and other divisions by 39% to \$81,663,000.

**Earnings** from operations in 1968 increased to \$12,679,000 or \$.26 per share, after the 10% federal income tax surcharge amounting to \$1,160,000 or \$.24 per share. This compared to \$11,759,000 or \$.25 per share for the previous year. Earnings from operations before income taxes increased by 18% from \$22,937,000 to \$26,980,000.

Capital and non-recurring gains in 1968 increased to \$3,661,000 or \$.77 per share and include the gain of \$2,931,000 on the sale of the Company's stock interest in Microwave Associates, Inc. In 1967, capital and non-recurring gains were \$1,770,000 or \$.38 per share and include the gain on the sale of the Company's stock interest in Technical Operations, Inc. after providing \$1,000,000 as an additional reserve against investments.

Net earnings in 1968 increased to \$16,340,000 or \$3.43 per share from \$13,529,000 or \$2.88 per share for the previous year.

Assuming full conversion of convertible debentures and exercise of all stock options, pro forma earnings from operations, capital and non-recurring gains and net earnings for 1968 would be \$.254, \$.69 and \$3.23 a share, respectively.

**Cash Dividends** of \$1.60 per share were paid amounting to \$7,581,000 in 1968 and \$7,515,000 in 1967.

**Stockholders' Equity** in 1968 increased to \$160,286,000 or \$33.28 per share from \$147,973,000 or \$31.30 per share for the previous year.

**Long-Term Debt** increased during the year by the sale of 5% convertible debentures amounting to \$50,000,000, borrowings by a motion picture production subsidiary totaling \$13,450,000 and the completion of the borrowings for the construction of ABC Marine World totaling \$2,895,000. Repayments of loans during the year, including \$25,000,000 to International Telephone and Telegraph Corporation, amounted to \$34,249,000.

Information concerning the balance of the long-term debt at the end of the year, interest rates and repayment terms, is set forth in Note G to the financial statements on page 21.



**Working Capital** during the year increased by \$68,531,000 to \$151,581,000, primarily due to the proceeds from the sale of the convertible debentures. The ratio of current assets to current liabilities at year end is 2.4 to 1. The composition of working capital and changes during the year are as follows:

	1968	1967	Increase (Decrease)
Current assets			
Cash funds .....	\$ 74,486,000	\$ 13,294,000	\$61,192,000
Television and theatrical motion picture rights and production costs ....	90,177,000	109,057,000	(18,880,000)
Other .....	96,273,000	77,210,000	19,063,000
	<u>\$260,936,000</u>	<u>\$199,561,000</u>	<u>\$61,375,000</u>
Current liabilities .....	109,355,000	116,511,000	(7,156,000)
Working Capital	<u><u>\$151,581,000</u></u>	<u><u>\$ 83,050,000</u></u>	<u><u>\$68,531,000</u></u>

**Cash Funds**, which amounted to \$74,486,000 at the end of 1968 were \$61,192,000 higher than at the end of 1967. The Company's cash position was substantially strengthened during the year from the cash flow generated by the Company's operations, sale of convertible debentures and the rearrangement of payments for licensing feature films for network telecast.

During the year arrangements were completed to put the cost of licensing a substantial portion of the feature films used by the television network on a pay as telecast basis. Accordingly, prepayments of approximately \$52,000,000 that would otherwise have been required were not made.

Property and equipment expenditures of \$16,288,000 comprise \$7,107,000 applicable to the broadcast division primarily for modernization and conversion of studios and equipment to color as well as additional facilities; \$8,429,000 related to theatres, principally for new theatres and the improvement and modernization of existing theatres; and \$752,000 applicable to all other operations. Depreciation for the year amounted to \$15,002,000 of which \$10,304,000 related to the broadcast division, \$3,642,000 to theatres and \$1,056,000 to all other operations.

The sources and uses of cash funds for the year 1968 are as follows:

Sources:

Earnings from operations .....	\$12,679,000
Depreciation .....	15,002,000
Capital and non-recurring transactions .....	6,440,000
Sale of convertible debentures .....	50,000,000
Decrease in television rights .....	34,841,000
Additional borrowings under loan agreements ..	16,345,000
Common stock sold under options .....	1,639,000
Others, net .....	171,000
	<u>\$137,117,000</u>

Uses:

Property and equipment .....	\$16,288,000
Dividends paid .....	7,581,000
Repayments of loans .....	34,249,000
Increase in motion picture rights, production costs and advances .....	15,961,000
Purchase of radio station KXYZ less portion paid in stock .....	1,846,000
	<u>75,925,000</u>

Net increase in cash funds

\$ 61,192,000

Regularly scheduled meetings of officers and executives of operating departments include (counter-clockwise):  
**Leonard H. Goldenson**, President  
**Simon B. Siegel**, Executive Vice President  
**Everett H. Erlick**, Group V.P. & General Counsel  
**Theodore F. Shaker**, Group V.P.—Television excl. TV Network  
**Samuel H. Clark**, Group V.P.—Non-Broadcasting  
**Elmer H. Lower**, ABC Div. V.P. & Pres. of ABC News  
**Walter A. Schwartz**, ABC Div. V.P. & Pres. of ABC Radio Network  
**Alfred R. Schneider**, ABC Div. V.P. & Ass't. to Exec. V.P.  
**James C. Hagerty**, V.P.—Corp. Relations  
**Harold L. Neal**, ABC Div. V.P. & Pres. of ABC Owned Radio Stations  
**Herbert R. Hahn**, V.P.—Public Relations, Fin.  
**Kevin O'Sullivan**, V.P. & General Manager of ABC Films  
**Jerome B. Golden**, V.P. & Secretary  
**Roone Arledge**, Pres. of ABC Sports  
**Larry Newton**, Pres. of ABC Records  
**Frederick L. Nettore**, Pres. of ABC-TV Spot Sales  
**John E. Campbell**, ABC Div. V.P. & Pres. of ABC Owned TV Stations  
**Julius Barnathan**, ABC Div. V.P.—Broadcast Operations & Engineering  
**Martin Baum**, Pres. of ABC Pictures  
**Ralph W. Beaudin**, Group V.P.—Radio (resigned 2/69)  
**Elton H. Rule**, ABC Div. V.P. & Pres. of ABC Television Network  
(not present: **Donald W. Coyle**, Pres. of ABC International TV).

## Consolidated Financial Position

### Assets

	<u>December 28, 1968</u>	<u>December 30, 1967</u>
<b>Current Assets:</b>		
Cash .....	\$ 23,062,000	\$ 11,821,000
Marketable securities, at cost (approximate market) .....	51,424,000	1,473,000
Receivables, less allowance for doubtful accounts of \$2,406,000 in 1968 and \$1,888,000 in 1967 .....	85,133,000	67,134,000
Television and theatrical motion picture rights, production costs and advances, less amortization (Note C) .....	90,177,000	109,057,000
Inventory of merchandise and supplies, at cost or less .....	9,326,000	8,338,000
Prepaid expenses (Note F) .....	1,814,000	1,738,000
Total current assets .....	260,936,000	199,561,000
 <b>Investments</b> , at cost, less reserves of \$4,651,000 in 1968 and \$4,657,000 in 1967 (Notes D and H) .....	11,529,000	12,194,000
 <b>Property and Equipment</b> , at cost (Note E) .....	185,857,000	175,331,000
Less—Accumulated depreciation and amortization .....	56,833,000	48,307,000
	129,024,000	127,024,000
 <b>Other Assets:</b>		
Intangibles, at cost .....	23,195,000	20,492,000
Deferred charges .....	2,849,000	1,987,000
Other assets (Note F) .....	7,030,000	7,501,000
	33,074,000	29,980,000
	\$434,563,000	\$368,759,000

**Liabilities and Stockholders' Equity**

	<u>December 28, 1968</u>	<u>December 30, 1967</u>
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses .....	\$ 90,639,000	\$ 70,845,000
Federal income taxes (Note F) .....	7,749,000	7,779,000
Loans payable within one year (Note G) .....	10,967,000	37,887,000
Total current liabilities .....	<u>109,355,000</u>	<u>116,511,000</u>
<b>Long-Term Liabilities:</b>		
5% Convertible Debentures (Note G) .....	49,990,000	—
Loans payable (Note G) .....	93,537,000	84,381,000
Other .....	15,923,000	16,037,000
	<u>159,450,000</u>	<u>100,418,000</u>
<b>Deferred Income</b> .....	<u>5,472,000</u>	<u>3,857,000</u>
	<u>274,277,000</u>	<u>220,786,000</u>
<b>Stockholders' Equity: (Note H)</b>		
Common stock .....	4,817,000	4,727,000
Capital in excess of par value (Note I) .....	67,644,000	64,752,000
Retained earnings (Note J) .....	87,825,000	78,494,000
	<u>160,286,000</u>	<u>147,973,000</u>
<b>Commitments and Contingent Liabilities: (Notes L and M)</b>	<u>\$434,563,000</u>	<u>\$368,759,000</u>

## Statement of Consolidated Earnings and Retained Earnings

	1968	1967
<b>Revenues:</b>		
Broadcasting .....	\$454,704,000	\$431,325,000
Theatres .....	97,627,000	84,877,000
Records, motion pictures, publishing and others .....	<u>81,663,000</u>	<u>58,750,000</u>
	<u>633,994,000</u>	<u>574,952,000</u>
<b>Expenses:</b>		
Operating expenses and cost of sales .....	510,373,000	465,196,000
Selling, general and administrative expenses .....	74,755,000	68,767,000
Depreciation and amortization of property and equipment .....	15,002,000	12,056,000
Interest expense .....	<u>6,884,000</u>	<u>5,996,000</u>
	<u>607,014,000</u>	<u>552,015,000</u>
<b>Earnings from operations before income taxes</b> .....	<u>26,980,000</u>	<u>22,937,000</u>
Provision for income taxes: (Note F)		
Federal .....	12,350,000	9,600,000
State, foreign and local .....	<u>1,951,000</u>	<u>1,578,000</u>
	<u>14,301,000</u>	<u>11,178,000</u>
	Per Share*	
	1968	1967
<b>Earnings from operations before extraordinary items</b> .....	<u>\$2.66</u>	<u>\$2.50</u>
	<u>12,679,000</u>	<u>11,759,000</u>
<b>Capital and non-recurring gains,</b> net of applicable federal income tax and, in 1967, reserve of \$1,000,000 provided against investments (Note B) .....	<u>.77</u>	<u>.38</u>
	<u>3,661,000</u>	<u>1,770,000</u>
<b>Net earnings for the year</b> .....	<u><u>\$3.43</u></u>	<u><u>\$2.88</u></u>
	<u>16,340,000</u>	<u>13,529,000</u>
<b>Retained earnings at beginning of year</b> .....		
	<u>78,494,000</u>	<u>72,480,000</u>
<b>Retained earnings of company acquired (Note A)</b> .....		
	<u>572,000</u>	<u>—</u>
	<u>95,406,000</u>	<u>86,009,000</u>
<b>Less—Cash dividends</b> .....	<u><u>\$1.60</u></u>	<u><u>\$1.60</u></u>
	<u>7,581,000</u>	<u>7,515,000</u>
<b>Retained earnings at end of year (Note J)</b> .....	<u><u>\$ 87,825,000</u></u>	<u><u>\$ 78,494,000</u></u>

\*Assuming full conversion of convertible debentures and exercise of all stock options, pro forma earnings from operations, capital and non-recurring gains and net earnings for 1968 would be \$2.54, \$.69, and \$3.23 a share, respectively.

## Notes to Consolidated Financial Statements

**Note A—Consolidation Policy:** The consolidated financial statements include the accounts of the Company and majority owned domestic subsidiaries.

In 1968, the Company issued 53,333 shares of common stock in connection with the acquisition of a record distributor accounted for as a pooling of interests and the purchase of a radio station. The pooling has not been applied to prior periods because it would have no material effect thereon.

**Note B—Capital and Non-Recurring Gains:** Net capital and non-recurring gains for 1968, after applicable federal income tax, includes \$2,931,000 from the sale of the Company's investment in Microwave Associates, Inc., and in 1967, \$3,266,000 from the sale of Technical Operations, Inc. less \$1,000,000 provided as an additional reserve against investments. The applicable federal income tax was \$1,073,000 for 1968 and \$672,000 for 1967.

**Note C—Television and Theatrical Motion Picture Rights, Production Costs and Advances:** Television program rights, production costs and advances totaling \$60,387,000 represent principally the amounts paid less the amounts charged to operations on the basis of use for network programs, by systematic amortization over the rental periods for local station programs, and proportionately on the basis of earned revenues to estimated ultimate revenues for costs of programs distributed to others. On the basis of current programming plans, it is expected that the major portion of these costs will be charged to operations within one year and substantially all of the balance during the subsequent year.

The theatrical motion picture costs totaling \$29,790,000 represent principally the amounts paid less the amortization of such costs, based upon the estimated flow of income. When it is determinable, based on such estimates, that a motion picture will result in an ultimate loss, the entire loss is reflected immediately.

**Note D—Investments:** Investments at December 28, 1968 include \$990,000, the carrying value of unliquidated investments in certain theatres sold since the inception of the Company. The sales prices aggregating \$7,133,000, of which \$5,445,000 remained uncollected, are payable in instalments, mainly in variable contingent amounts to 1981. The difference between the uncollected portion and the carrying value represents a contingent profit which will be reflected in earnings proportionately over future years as additional instalments of the sales prices are collected.

<b>Note E—Property and Equipment, at cost</b>	1968	1967
Land .....	\$ 23,348,000	\$ 23,040,000
Buildings .....	72,605,000	66,314,000
Operating equipment .....	72,601,000	70,014,000
Leasehold improvements .....	17,303,000	15,963,000
	<u>\$185,857,000</u>	<u>\$175,331,000</u>

It is the policy of the Company and its subsidiaries to depreciate property and equipment on a straight-line basis over the estimated useful lives of the respective depreciable assets.

**Note F—Income Taxes:** Certain accrued expenses are not deductible for tax purposes until paid. The related estimated future tax benefits are included, \$263,000 in prepaid expenses and \$3,639,000 in other assets. Similar amounts in 1967 (\$338,000 and \$3,859,000), some of which were offset in the 1967 financial statements against the liability for such expenses, have been reclassified in the accompanying statements to correspond with the 1968 classifications.

<b>Note G—Debt:</b>	1968	1967
<b>Long-term</b>		
<b>Debentures:</b>		
5% convertible subordinated debentures due July 1, 1993, convertible into common stock at \$65.00 per share and redeemable at 105% for the first year of issuance and at decreasing prices thereafter. Beginning July 1, 1979, the Company is required to retire annually \$2,000,000 principal amount of the debentures .....	<u>\$49,990,000</u>	—
<b>Loans:</b>		
4.55% notes payable semi-annually, \$1,250,000 to January 1, 1971, \$1,625,000 to January 1, 1985 and \$10,750,000 on July 1, 1985 .....	\$62,500,000	\$63,750,000
Bank loans payable in approximately equal quarterly instalments to March 1, 1973. Interest is at the prime rate plus 1/4 of 1% per annum .....	18,669,000	23,348,000
Bank loans payable by a subsidiary company from the net proceeds of the various motion pictures. Each loan matures 30 months from date of borrowing or 24 months after general release of the various motion pictures or June 30, 1971, whichever is earlier. Interest is at the prime rate plus 1/2 of 1% per annum .....	13,450,000	—
Mortgage and other loans payable through 1981. Interest is at rates ranging from 4 1/2 % to 6 1/2 % per annum .....	8,179,000	5,926,000
Interest is at rates ranging from 4 1/2 % to 6 1/2 % per annum .....	102,798,000	93,024,000
Less portion payable within one year .....	9,261,000	8,643,000
	<u>\$93,537,000</u>	<u>\$84,381,000</u>
<b>Current</b>		
International Telephone and Telegraph Corporation repaid in June 1968 .....	—	\$25,000,000
Short-term bank loans .....	\$ 1,706,000	4,244,000
Portion of long-term debt payable within one year, as above .....	9,261,000	8,643,000
	<u>\$10,967,000</u>	<u>\$37,887,000</u>

**Note H—Capital Stock:** At December 28, 1968, 2,000,000 shares of preferred stock, par value \$1, and 10,000,000 shares of common stock, par value \$1, were authorized. No preferred stock has been issued. Of the 4,816,645 shares of common stock issued, 20,915 shares, at a cost of \$1,380,191 are included in investments and held in treasury for the purposes of the Key Employees Incentive Compensation Plan.

Under stock option plans, 247,916 shares of common stock, including 47,875 which may be granted, are reserved for issuance to employees. At December 28, 1968, options for 200,041 shares at prices ranging from \$28.647 to \$85.50 per share were outstanding of which 98,167 shares were exercisable. The remaining options become exercisable as to 52,935 shares in 1969 and 48,939 shares in 1970 and later.

During 1968, options for 35,787 shares were exercised at prices ranging from \$28.647 to \$60.00 per share. In addition, 53,333 shares were issued in connection with the acquisitions described in Note A and 145 shares were issued upon conversion of the Convertible Debentures.

There are 769,086 common stock shares reserved for conversion of the Convertible Debentures.

**Note I—Capital in Excess of Par Value:** During 1968, capital in excess of par value increased by \$2,892,000 representing \$1,612,000 excess of proceeds over par value of common shares issued upon exercise of stock options and conversion of Debentures, and \$1,280,000 excess of fair market value over par value of common shares issued in partial payment for the purchase of a radio station.

**Note J—Retained Earnings:** The various agreements pertaining to long-term debt contain certain restrictions as to the payment of dividends (other than in shares of capital stock of the Company) or the purchase or redemption of capital stock of the Company. Of the consolidated retained earnings at December 28, 1968, approximately \$34,000,000 was not so restricted.

**Note K—Retirement Plans:** During 1968 and 1967, \$1,779,000 and \$1,711,000, respectively, including amortization of past service costs over a period of thirty years from inception was charged to operations and paid to the retirement funds in connection with the contributory retirement plans of the Company and certain of its consolidated subsidiaries. The actuarially computed value of vested benefits exceeded the total of the retirement funds by approximately \$8,100,000.

The Company also charges to operations the payments required to be made to various union retirement funds in accordance with the applicable collective bargaining agreements.

**Note L—Long-Term Commitments:** Minimum annual rentals, under 366 leases for real property in effect at December 28, 1968 amounted to \$7,700,000 which is summarized according to lease expiration periods: 1969-1971, \$1,857,000; 1972-1976, \$1,805,000; 1977-1981, \$1,482,000; 1982-1986, \$229,000; and subsequent to 1986, \$2,327,000. Total rent, including rentals based on a percentage of receipts, charged to operations in 1968 amounted to \$7,470,000.

The Company has entered into contracts covering rentals of feature films for future telecast under which it is obligated to make payments totaling approximately \$160,000,000 during the next five years.

**Note M—Contingent Liabilities:** There are contingent liabilities under pending litigation including antitrust suits to which some of the companies in the motion picture industry are also defendants.

The Company has a maximum obligation of \$1,425,000 as guarantor on a bank loan to a non-consolidated foreign subsidiary.

### Opinion of Independent Accountants

To the Board of Directors and Stockholders of American Broadcasting Companies, Inc.

In our opinion, the accompanying statement of consolidated financial position and the related statement of consolidated earnings and retained earnings present fairly the financial position of American Broadcasting Companies, Inc. and its subsidiaries at December 28, 1968 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, New York  
March 6, 1969

Price Waterhouse & Co.

**Five Year Financial Summary** (Dollars in Thousands)

	1968	1967	1966	1965	1964
<b>Revenues</b>					
Broadcasting .....	\$454,704	\$431,325	\$413,684	\$361,631	\$310,135
Theatres .....	97,627	84,877	82,390	80,982	78,891
Others .....	81,663	58,750	43,898	33,852	31,889
Total .....	<u>\$633,994</u>	<u>\$574,952</u>	<u>\$539,972</u>	<u>\$476,465</u>	<u>\$420,915</u>
<b>Earnings—Total</b>					
Operations .....	\$12,679	\$11,759	\$17,860	\$15,721	\$11,019
Capital and non-recurring gains, net .....	3,661	1,770	206	(156)	177
Net .....	<u>\$16,340</u>	<u>\$13,529</u>	<u>\$18,066</u>	<u>\$15,565</u>	<u>\$11,196</u>
<b>Earnings—Per Share</b>					
Operations .....	\$2.66*	\$2.50	\$3.81	\$3.39	\$2.40
Capital and non-recurring gains, net .....	.77*	.38	.04	(.04)	.04
Net .....	<u>\$3.43*</u>	<u>\$2.88</u>	<u>\$3.85</u>	<u>\$3.35</u>	<u>\$2.44</u>
<b>Dividends</b>					
Total .....	\$7,581	\$7,515	\$7,496	\$6,962	\$5,512
Per share .....	\$1.60	\$1.60	\$1.60	\$1.50	\$1.20
<b>Financial Position at Year End</b>					
Working capital .....	\$151,581	\$ 83,050	\$ 91,755	\$ 93,772	\$ 72,103
Property and equipment, net .....	\$129,024	\$127,024	\$113,464	\$ 74,292	\$ 70,177
Total assets .....	\$434,563	\$368,759	\$320,315	\$262,777	\$226,640
Long-term debt .....	\$143,527	\$ 84,381	\$ 87,897	\$ 62,030	\$ 46,559
Stockholders' equity .....	\$160,286	\$147,973	\$141,111	\$129,672	\$119,493
Number of common shares issued .....	4,816,645	4,727,380	4,707,270	4,681,896	4,623,548

\*Assuming full conversion of convertible debentures and exercise of all stock options, pro forma earnings from operations, capital and non-recurring gains and net earnings for 1968 would be \$2.54, \$.69 and \$3.23 a share, respectively.

**Board of Directors**

Alger B. Chapman ..... *Chairman of the Board of Squibb Beech-Nut, Inc.*  
Samuel H. Clark ..... *Group Vice President of the Corporation*  
John A. Coleman ..... *Senior Partner, Adler, Coleman & Co.*  
Everett H. Erlick ..... *Group Vice President and General Counsel of the Corporation*  
Charles T. Fisher III ..... *Senior Vice President of the National Bank of Detroit*  
E. Chester Gersten ..... *Retired—a director and member of the Executive Committee of the Corporation*  
Leonard H. Goldenson ..... *President of the Corporation*  
Jack Hausman ..... *President of Belding Hausman Fabrics, Inc.*  
Leon Hess ..... *Chairman of the Board of Hess Oil and Chemical Corporation*  
Robert H. Hinckley ..... *Chairman of the Board of Hinckleys, Inc.*  
George P. Jenkins ..... *Chairman of Finance Committee of Metropolitan Life Insurance Company*  
Joseph A. Martino ..... *Honorary Chairman and Member of the Executive Committee of National Lead Company*  
Theodore Schlesinger ..... *President and Chief Executive Officer of Allied Stores Corporation*  
Simon B. Siegel ..... *Executive Vice President of the Corporation*

**Executive Committee**

John A. Coleman, *Chairman*  
Alger B. Chapman  
E. Chester Gersten  
Leonard H. Goldenson  
Robert H. Hinckley  
Joseph A. Martino  
Simon B. Siegel

**Officers**

Leonard H. Goldenson ..... *President*  
Simon B. Siegel ..... *Executive Vice President*  
Samuel H. Clark ..... *Group Vice President*  
Everett H. Erlick ..... *Group Vice President and General Counsel*  
Theodore F. Shaker ..... *Group Vice President*  
Jerome B. Golden ..... *Vice President and Secretary*  
James C. Hagerty ..... *Vice President*  
Herbert R. Hahn ..... *Vice President*  
Frank L. Marx ..... *Vice President*  
Martin Brown ..... *Treasurer*  
John H. Regazzi ..... *Comptroller*  
Franklin Feinstein ..... *Assistant Secretary*

**Executive Offices**  
1330 Avenue of the Americas  
New York, N.Y. 10019

**Independent Accountants**  
Price Waterhouse & Co.

**Transfer Agent**  
Bankers Trust Company

**Registrar**  
The Bank of New York

